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TESTIMONY BEFORE
SUBCOMMITTEE on SEAPOW and STRATEGIC and CRITICAL MATERIALS
and
INVESTIGATIONS SUBCOMMITTEE

on
POST-EMPLOYMENT CONFLICT of INTEREST
18 April 1985

by
Bun B. Bray, Jr. - Executive Director

Gentlemen, my name is Bun B. Bray, Jr., the Executive Director of the Federal Managers Association.

The Federal Managers association is the Federal Government's oldest and largest management group. We have members who represent all the major departments and agencies of the Federal Government. Our members represent all levels of management from a first-level blue collar supervisor to a top manager in the Senior Executive Service.

We certainly appreciate this opportunity today to discuss with you a critical feature of management and to support proposed legislation to control more effectively the problem, namely conflict of interest in the use of Contractors and Consultants.

FALLACIES in USE of CONTRACTORS

One of the most important and often most irritating issues that our members face is the use of profit-oriented corporations to furnish labor to perform work historically and efficiently done by government employees.

Time and again we hear the excuses for use of contractor-procured

employees to work as guards, fire fighters, janitors, file clerks, stenographers, quality inspectors, etc. as the embodiment of our free enterprise system based on the concept of entrepreneurship. However, the former Chairman of the House Post Office and Civil Service Committee, the Hon. David Henderson of North Carolina put this concept in a realistic way when he said, "If the American spirit of free enterprise and financial daring is merely to furnish people to replace Civil Service employees to work at government-owned benches with government-furnished tools, then we are closer to Communism than I ever thought."

In a recent book, Government by Contract, the author, J. D. Hanrahan, makes several critical points for all of us to consider:

- * Some \$150 billion is spent annually for contracts for goods and services and no one knows how much of that is wasted. There are overcharges, frauds and cost overruns.
- * "Usual suspects for much of this", says the author, "are the old-boy network, the revolving door between government and contractors, bureaucratic self-interest, and campaign contributions".
- * "It makes no sense to assail the visible civil service bureaucracy while at the same time overlooking the far more costly and pervasive contractor bureaucracy."

Mr. Chairman, there is one other point I wish to drive home and I have been making this point here in town for over 30 years; namely, there is not a person who can tell you or me the number of man years we buy each year from contractors and consultants, but we pride ourselves on our computer-oriented bookkeeping of direct-hire Government Employees.

THE REVOLVING DOOR

When we start evaluating the potentials for conflict of interest in the

use of contractors and consultants, we recognize at least three different groups of people.

- A. The retiring military personnel
- B. The political appointees
- C. The retiring government-civilian careerist

Let's look first at the retiring military. In the early 1960's a neighbor in Northern Virginia, a Colonel in the Air Force, told me he was offered a fine job with a well-known Air Force contractor, which he was taking. But, he said the job would last only three or four years, until his contacts in key departments of Air Force positions had moved on.

The basic problem with the retiring military personnel is the fact the military retirement program is 100 years old. The span of service is based on your physical attributes; really your ability to ride a horse across the plains fighting the Indians. With today's sophisticated, complex, electronic fighting gear the military mind is of greater importance than ever before. The military officer goes out of active duty often at the height of his mental capabilities. Thus, you obviously have a terrific supply of manpower, womanpower, for use in our economy.

The political appointee is in many ways in a more key position to swing contractor favors than the retired military and certainly in far greater power than the lowly civil service employee. And, unfortunately due to his or her political status, there are probably less chances for public disclosure of the moves by the political appointees.

With government personnel morale now at the lowest level in this century, you have even greater reasons to suspect retirements from the Federal Government as soon as possible with opportunities to go with contractors and/or consulting firms.

CONFLICT of INTEREST - FANTASTIC or REAL

There are some top-level officials in town we learn, including some in the Pentagon, who do not believe there are many actual cases of conflict of interest in the "going-contract" approach.

We have sampled the real world and found there are cases, too many cases, where the conflict of interest was rather evident; where the American taxpayers and where the defense effort were secondary to self interest.

The House Armed Services Committee is well aware of a classic example of how not to use a contractor. Hawthorne Army Ammunition Plant, Nevada. In 1980 bids were received by Army from three well-known contractors to operate Hawthorne. The bids were all higher than the Army in-house bid. But, for some reason a corporation was formed and a bid was submitted to save the American taxpayers \$3.5 million. The Army personnel staffing plan was given to the contractor, prior to the bid being submitted, and no inspection visits by the new corporations were made to Hawthorne by the new corporation officials. Likewise, and this is very important, at least two high-ranking Army officers retired and went to work for the contractor.

At our last reading this contractor is not only not producing at the level the Army in-house did but the contract is costing you and me several millions of dollars yearly.

And to top off the concept of free enterprise system, the contractor put up only \$50,000 to start the operation. You and I did most of the financing.

Down at Whiting Field, Florida consideration was given as to in-house or contractor for helicopter overhaul. Several top military officials at Whiting Field while the contractor in-house study was underway then retired and went to work for the contractor.

Out of the West Coast on a computer-contract proposal the function went

contract and a high ranking officer joined the firm.

OVERVIEW of PROPOSED LEGISLATION

We are knowledgeable of Chairman Bennett's Bill, HR272 and Rep. Boxer's Bill HR 1201. Both Members are able defenders of the American people and also of Federal employees. Therefore, I will not attempt to choose sides or to favor one bill over the other, but I would like to make these points.

First, we in FMA believe there is definitely a need for legislation.

Second, the legislation should relate to all personnel - military, political appointees and government civilian careerists.

Third, the legislation should apply throughout the Federal Government and not just the Department of Defense.

Fourth, the burden of proof should be on the contractor and/or consultant.

Fifth, we certainly applaud the proposed requirement that government contractors and/or consultants submit yearly a list of former government personnel who have been hired by the contractor and/or consultant.

Mr. Chairman, Members of the Subcommittee, we certainly appreciate your continuing and positive interests in the interest of our defense posture and also in the effective use of our first-class government workforce.

Proposed legislation now being analyzed will not hurt federal employees, instead it will improve their morale to know Congress is actively attempting to insure the most objective procedure possible to determine in-house versus contractor cost proposals.

Gentlemen, one final word. The finest government investigator I have ever known, who spent 40 years with the General Accounting Office, often said to me, "There has never been a contractor given half a chance, that won't screw the government." - Thank you for this opportunity to discuss this key issue.